

***The Camisea Project
Status Report March 25, 2004***

The Camisea gas extraction and pipeline project is one of the most significant energy infrastructure projects currently under construction in Latin America, and, when completed in mid-2004, will provide extraordinary economic and social benefits to Peru through the creation of jobs, the reduction of energy costs, the extension of the use of environmentally friendly fuel and the generation of export revenue. The IDB has agreed to finance part of the downstream component of the \$1.6 billion project with a \$75 million loan from ordinary capital and a syndicated loan of up to \$60 million. Much of the infrastructure construction takes place in environmentally and socially sensitive areas, and to meet this challenge there have been significant investments by the project companies, Peruvian government, and the IDB to make sure that benefits the project are distributed to those that need them the most and that the environmental and social impacts are properly mitigated.

The IDB continues to devote a great deal of attention to ensuring that the environmental and social protections which were implicit in its Board of Executive Director's approval of an IDB loan of the Camisea project are fully implemented. Since the Board approved a loan for the project on September 10, 2003, Bank staff has been working closely with officials of the government of Peru and executives of the sponsoring companies to finalize arrangements and commitments associated with those safeguards. Recently, Executive Vice President Dennis Flannery stated, "We have been gratified by the high level of cooperation by all parties and are certain the process will be concluded in the near future. Once all protections contemplated by the Board of Executive Directors are addressed the Bank shall ratify its commitment to finance a portion of the project and will execute the appropriate documentation".

The IDB continues to work with the project sponsors to reach a financial closing that meets all conditions of the approved loan. Significant progress has been made toward this end. Although no specific date has been established, a final agreement shall hopefully be reached in the near future. The IDB is committed to assuring that the Camisea project is a sustainable infrastructure project for the people of Peru.